English translation

SymBio Pharmaceuticals Limited

Summary of Financial Statements for the First Quarter of Fiscal Year Ending December 31, 2020 [Japanese GAAP] (Non-consolidated)

May 12, 2020

Company Name	**SymBio Pharmaceuticals Limited**	Listing: Tokyo Stock Exchange	
Securities Code	4582	URL: https://www.symbiopharma.com/	
Representative	Representative Director, President and Chief Executive Officer	Fuminori Yoshida	
Contact Person	Corporate Officer and Chief Financial Officer	Takaaki Fukushima	TEL +81-3-5472-1125
Scheduled Date to File Quarterly Report	May 13, 2020	Date of Dividend Payment (plan)	—

Supplementary materials for the quarterly financial statements: Yes・No

Holding of quarterly earnings performance review: Yes・No

(Amounts of less than one million yen are rounded down.)

1. Business Results for the First Three Months of FY 2020 (January 1, 2020 to March 31, 2020)

(1) Operating Results (cumulative) (Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Profit (Loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 FY 2020	551	(65.8)	(961)	—	(991)	—	(992)	—
Q1 FY 2019	1,611	81.4	(595)	—	(616)	—	(616)	—

	Earnings (Loss) per Share	Diluted Earnings per Share
	Yen	Yen
Q1 FY 2020	(35.84)	—
Q1 FY 2019	(29.92)	—

(Note 1) On July 1, 2019, the Company conducted a 1-for-4 consolidation of common stock. Earnings per share have been calculated based on the assumption that this consolidation was conducted at the beginning of FY 2019.

(Note 2) Diluted earnings per share is not stated above due to recording of a net loss per share, despite the potential dilution of shares.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Q1 FY 2020 (as of March 31, 2020)	5,142	4,472	75.5
FY 2019 (as of December 31, 2019)	5,273	4,400	71.7

(Reference) Shareholders' equity: Q1 FY 2020 (as of March 31, 2020) 3,880 million yen

FY 2019 (as of December 31, 2019) 3,779 million yen

2. Dividends

	Annual Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FY 2019	—	0.00	—	0.00	0.00
FY 2020	—				
FY 2020 (Forecast)		0.00	—	0.00	0.00

(Note) Revision of dividend forecasts recently announced: Yes・No

3. Earnings Forecasts for FY 2020 (January 1, 2020 to December 31, 2020)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Profit (Loss)		Earnings (Loss) per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	3,404	20.0	(5,090)	—	(5,134)	—	(4,803)	—	(158.98)

(Note) Revision of earnings forecasts recently announced: Yes・No

Notes:

(1) Application of special accounting treatment in preparation of quarterly financial reports: Yes・No

(2) Changes in accounting policies, changes in accounting estimates and restatements after error corrections

(a) Changes in accounting policies due to revision of accounting standards: Yes・No

(b) Changes in accounting policies due to other reasons: Yes・No

(c) Changes in accounting estimates: Yes・No

(d) Restatements after error corrections: Yes・No

(3) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the year (including treasury shares)	Q1 FY 2020	28,465,381 shares	FY 2019	26,437,681 shares
(ii) Total number of treasury shares at the end of the year	Q1 FY 2020	21,593 shares	FY 2019	22,593 shares
(iii) Average number of shares during the year (cumulative)	Q1 FY 2020	27,683,335 shares	Q1 FY 2019	20,619,157 shares

(Note) On July 1, 2019, the Company conducted a 1-for-4 consolidation of common stock. Total number of issued shares at the end of the year, total number of treasury shares at the end of the year, and average number of shares during the year have been calculated based on the assumption that this consolidation was conducted at the beginning of FY 2019.

* Summary of the quarterly financial statements is not subject to quarterly reviews by certified public accountants or accounting corporations.

* Explanation regarding the appropriate use of earnings forecasts and other matters

All forecasts presented in this document, including earnings forecasts, are based on the information currently available to the Company and assumptions judged to be reasonable. Actual results may differ substantially from these forecasts due to various factors. Regarding the assumptions on which the Company's earnings forecasts are based and their usage, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of earnings forecasts and other forward-looking information" on Page 8 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

Progress in the Company's business for the first three months of the fiscal year under review is as follows.

(i) Domestic business

[Establishment of the Company's own salesforce]

The Company will transition the sale of TREAKISYM® in Japan to its own sales organization from January 2021 after its business partnership agreement with Eisai Co., Ltd. ("Eisai") expires in December 2020. In doing so, the Company aims to attain profitability in FY 2021 and achieve sustainable growth thereafter to solidify its future business development.

During the first three months of the fiscal year under review, the Company continued to expand and train its team of TREAKISYM® sales representatives and regional sales managers, who are at the core of its nationwide sales organization, thereby making substantial progress toward the final stage of establishing its own nationwide sales structure during the first half of FY 2020. Further, continuing from the previous fiscal year, in addition to enhancing our distribution and logistics capabilities through logistics bases strategically situated in eastern and western Japan, we made steady progress in enhancing our internal infrastructure, including enterprise resource planning (ERP) and other information systems. Through these efforts, we are making steady progress toward establishing a highly productive, high-performance salesforce backed by extensive expertise and experience.

[Issues concerning product defects]

The Company currently imports lyophilized injectable formulation of TREAKISYM® from Astellas Deutschland GmbH ("Astellas Deutschland"), a subsidiary of Astellas Pharma Inc. Contamination and appearance defects were found in some batches imported in 2019 for sale in Japan, and the extent of the contamination and defects significantly exceeded limits permitted by quality standards stipulated in the supply agreement entered between the Company and Astellas Deutschland. To prevent recurrence of similar quality issues, the Company has filed complaints with Astellas Deutschland and strongly urged Astellas Deutschland to fulfill its responsibilities as the supplier, including implementing corrective and preventive action (CAPA). However, we could not see any signs of improvement in the first three months of FY 2020, as defect rates remained high in a number of batches imported from Astellas Deutschland and delivery dates continued to be unreliable. As a result, the Company continued to face issues with the supply of TREAKISYM®, which resulted in lower inventory level year on year; accordingly, sales of TREAKISYM® in the first three months of FY 2020 lagged behind the level recorded in the same period of the previous fiscal year. The Company expects the high defect rates and unreliable delivery dates to persist through the first half of FY 2020, which will subsequently cause shipments of TREAKISYM® to its sales agent Eisai to decline year on year. To recover the inventory level of TREAKISYM® as soon as possible, we will continue discussions with Astellas Deutschland and manage its progress in addressing the quality and supply issues toward lowering the defect rates and stabilizing supply.

[Anticancer agents: SyB L-0501 (lyophilized powder formulation), SyB L-1701 (ready-to-dilute ("RTD") formulation), SyB L-1702 (rapid infusion ("RI") formulation) (generic name: bendamustine hydrochloride; trade name: TREAKISYM®)]

The Company obtained manufacturing and marketing approval for first-line treatment of low-grade non-Hodgkin's lymphoma (low-grade NHL) (Note 1) and mantle cell lymphoma (MCL) in December 2016, for recurrent/refractory low-grade NHL and MCL in October 2010, and for chronic lymphocytic leukemia (CLL) in August 2016. TREAKISYM® is thus widely used in the field of malignant lymphoma. Further, the combination treatment (BR therapy) of TREAKISYM® and rituximab was newly included in the Guidelines for Tumors of Hematopoietic and Lymphoid Tissues 2018 edited and published by the Japanese Society of Hematology in July 2018, becoming recommended as a choice for standard treatment for all previously approved indications. With this development, TREAKISYM® has established its foothold as the standard treatment for malignant lymphoma.

In July 2018, the Company obtained approval to partially revise the manufacture and marketing authorization, allowing TREAKISYM® to be used in combination with not only rituximab but also other new anti-CD20 antibodies for the treatment of CD-20 positive follicular lymphoma (FL), a typical histologic type of low-grade NHL. As a new treatment option, TREAKISYM® is being offered to patients in combination with obinutuzumab (Note 2), which was launched in August 2018. In March 2019, the Company obtained approval for a partial change to its application concerning the use of TREAKISYM® as a pretreatment agent for tumor-specific T-cell infusion therapy (Note 3). This allowed TREAKISYM® to be used as a pretreatment agent for Kymriah® intravenous infusion (Note 4), the first chimeric antigen receptor T-cell (CAR-T) therapy (Note 5) to be approved in Japan (included in the National Health Insurance price list in May 2019). The status of TREAKISYM® as the standard

treatment for malignant lymphoma is further solidified as its use as a pretreatment agent for regenerative medicine and other pharmaceutical products continues to spread.

The Company conducted a Phase III clinical trial of BR therapy targeting recurrent/refractory diffuse large B-cell lymphoma (r/r DLBCL), the fourth indication of TREAKISYM® following already-approved indications. In November 2019, the Company announced that it obtained favorable results with the overall response rate—the primary endpoint of the trial—exceeding expectations, and in May 2020, the Company applied for approval of a partial change to the manufacturing and marketing authorization of TREAKISYM®. The new indication was added in response to serious need at clinics and hospitals as there was no reliable standard treatment. Patient advocacy and academic groups have petitioned to the regulatory authorities for the approval of BR therapy. The Company expects to obtain approval in the first half of 2021 and expects TREAKISYM® to be widely available as a treatment option for many patients after obtaining approval.

In September 2017, the Company concluded an exclusive license agreement with Eagle Pharmaceuticals, Inc. (head office: New Jersey, U.S.) and obtained exclusive rights to develop and market TREAKISYM® liquid formulation (RTD and RI liquid formulations) (Note 6) in Japan. For the RTD liquid formation, the Company filed an application for approval in September 2019 following consultations with the Pharmaceutical and Medical Devices Agency and plans a launch in the first three months of FY 2021. For the RI liquid formulation, the Company initiated a clinical trial in November 2018, with the primary goal of confirming its safety, and completed patient enrollment in March 2020. The Company expects to obtain approval in the latter half of FY 2022 after promptly filing for an application once the trial has ended. The RI liquid formulations of TREAKISYM ® will significantly reduce the time required for administration to 10 minutes, down from the 60 minutes required by the currently available freeze-dried ("FD") powder and RTD formulations. This will greatly lessen the burdens placed on patients and healthcare providers, enabling the Company to provide substantial added value. Furthermore, the protection of multiple patents for liquid formula manufacturing will make it possible to extend the life of these products until 2031, further strengthening the foundation of the Company's business growth.

(Note 1) Non-Hodgkin's lymphoma (NHL) refers to malignant lymphoma other than Hodgkin's lymphoma. Malignant lymphoma is a cancer of the lymphatic system in which lymphocytes develop malignant growths. The majority of Japanese malignant lymphoma patients are suffering from NHL.

(Note 2) Obinutuzumab (Gazyva®, marketed by Chugai Pharmaceutical Co., Ltd.): Like rituximab recommended by treatment guidelines for non-Hodgkin's lymphoma in Japan and overseas, obinutuzumab is a glycoengineered type II anti-20 monoclonal antibody that directly binds to CD20 (a protein expressed on B-cells other than stem cells or plasma cells) on target B-cells to attack and destroy them along with the body's immune system.

(Note 3) Tumor-specific T-cell infusion therapy is a treatment method in which tumor-specific T-cells (T-cells that specifically recognize cancer cells) taken from cancer patients are artificially bestowed with cancer specificity extracorporeally, amplified and then administered to the patient.

(Note 4) Kymriah® intravenous infusion (generic name: tisagenlecleucel; marketed by Novartis Pharma K.K.): Kymriah® intravenous infusion is the first chimeric antigen receptor T-cell (CAR-T) therapy approved within Japan. The Company received manufacturing and marketing approval for Kymriah® for use in the treatment of CD19 positive recurrent/refractory B-cell acute lymphoblastic leukemia (B-ALL) and CD19 positive recurrent/refractory diffuse large B-cell lymphoma (DLBCL) in March 2019. Kymriah® intravenous infusion was included in NHI price listings in May 2019.

(Note 5) Chimeric antigen receptor T-cell (CAR-T) therapy is a type of tumor-specific T-cell infusion therapy that introduces genes that code chimeric antigen receptors (CARs) into T-cells, amplifies these cells and then infuses them. These chimeric antigen receptors are produced by combining the intracellular domains of T-cell receptors with the antigen binding sites of antibodies capable of recognizing membrane antigens attached to tumor cells. In clinical trials using CARs to target CD19 that expresses on B-cells, CD19-targeting CARs were introduced into T-cells that were later administered to patients with B-cell tumors. These modified cells produced clear clinical effects.

(Note 6) RTD and RI are pre-dissolved liquid formulations that differ from currently available freeze-dried ("FD") powder injection. RTD (ready-to-dilute) will significantly reduce the preparation time and labor cost for healthcare providers, and RI (rapid infusion) will reduce infusion duration to 10 minutes from the current 60 minutes, providing significant benefit and value to both patients and healthcare providers.

[Anticancer agents: SyB L-1101 (intravenous formulation) and SyB C-1101 (oral formulation) (generic name: rigosertib sodium)]

The Company's U.S. licensor, Onconova Therapeutics, Inc. (head office: Pennsylvania, U.S., "Onconova"), is conducting a global Phase III clinical trial (with trial sites in more than 20 countries) of the intravenous formulation of rigosertib for higher-risk myelodysplastic syndromes (HR-MDS) which do not respond to the current standard treatment with hypomethylating agents, relapse after treatment under the current standard of care, or are intolerant to hypomethylating agents. The Company is responsible for clinical development in Japan and began the clinical trial in December 2015. Fifty patients were enrolled as of April 30, 2020. In March 2020, Onconova announced that global patient enrollment (final target of 360 patients) was completed. Onconova also stated in the same announcement that it expected to obtain the top-line results (primary endpoints) of the trial in the second half of 2020 and that it was scheduled to present the results at an academic conference within the same year. Based on the results of the trial, the Company plans to apply for approval in Japan at the same time as in the U.S. and Europe.

As for the oral formulation of rigosertib, Onconova has completed Phase I/II clinical trials in the U.S. for the target indication of first-line HR-MDS (in combination with azacitidine (Note 7)), and results suggested that the oral formulation of rigosertib and azacitidine were safe and effective when combined. The Company started a domestic Phase I clinical trial in June 2017 to confirm the tolerability and safety of the oral formulation of rigosertib for Japanese patients. We have proceeded with patient enrollment since the first patient was enrolled in October 2017 and completed the enrollment process in June 2019. After completion of this trial, the Company plans to take part in a global trial for combination therapy with azacitidine for the first-line treatment of patients with higher-risk MDS, which Onconova is currently considering conducting. Data from this global trial was announced at the 61st American Society of Hematology (ASH) Annual Meeting and Exposition in December 2019. Based on this data, Onconova announced during the same month that it is discussing the design of a Phase II/III adaptive clinical trial testing this combination therapy as a first-line treatment for HR-MDS.

(Note 7) Azacitidine (Vidaza®, marketed by Nippon Shinyaku Co., Ltd.): This hypomethylating agent (for injection) was approved in 2011 upon successful confirmation of extended overall survival for the first time in the Phase III clinical trial for the indication of MDS, and is currently used as a first-line drug for MDS patients who have difficulties in hematopoietic stem cell transplantation. MDS is a preleukemic state, and decrease in tumor suppressor gene due to excessive methylation of DNA is thought to be related to the disease. Hypomethylating agents such as azacitidine are thought to suppress progress to leukemia by restoring tumor suppressor gene with a deterrent effect against methylation of DNA.

[Antiviral drug: SyB V-1901 (generic name: brincidofovir)]

On September 30, 2019, the Company concluded an exclusive global licensing agreement for intravenous and oral formulation of antiviral drug brincidofovir (Note 8) (SyB V-1901; "BCV IV" and "BCV Oral," respectively) with Chimerix Inc. (head office: North Carolina, U.S., "Chimerix"). Under this agreement, the Company acquired the exclusive rights for the worldwide development, marketing, and manufacture of BCV for all human indications, excluding smallpox. With the global rights to BCV, the Company is transitioning into a global specialty pharmaceutical company with an integrated supply system for high-quality pharmaceutical products.

BCV Oral has demonstrated highly active antiviral effects in clinical trials conducted in Europe and the U.S. by Chimerix. These trials have also confirmed that BCV Oral has broad-spectrum antiviral effects. Based on these findings, the Company plans to promote clinical development of the drug globally.

The Company will initially develop BCV IV for the treatment of viral hemorrhagic cystitis (Note 9) (vHC) occurring after hematopoietic stem cell transplantation, which are niche markets with high unmet medical demand. To deliver brincidofovir to patients requiring treatment as promptly as possible, we will conduct clinical development in Japan ahead of the rest of the world, aiming to secure approval for the drug. At the same time, we will conduct global clinical trials of BCV IV that extend to Europe and the U.S. while targeting a global rollout of the drug. Spurred on by the idea that it can be widely used throughout the field of surgical transplantation including hematopoietic stem cell transplantation and other organ transplantation, we are planning clinical development of BCV IV as a treatment for viral infections occurring after kidney transplantation. We are also looking to expand our business in Europe, the U.S. and Asia (including China), where organ transplant markets are larger than Japan, with an eye toward forming partnerships that take advantage of the regional characteristics of these target diseases. At present, we are discussing future global development for BCV IV and BCV Oral with prominent researchers in a variety of specialized fields overseas.

(Note 8) Brincidofovir (BCV) has a structure in which cidofovir (an antiviral drug already approved and marketed in the U.S. and Europe, but unapproved in Japan; "CDV") is bound to a lipid chain (hexadecyloxypropyl; "HDP"). It is quickly absorbed into the lipid bilayer membrane and efficiently transfers into cells, and then the bound lipid chain is metabolized and separated from the structure by intracellular phospholipases. This process generates an activator (CDV-PP; CDV diphosphate) that is retained in the cells for a long period of time, dramatically raising the compound's antiviral activity. Furthermore, BCV avoids nephrotoxicity, a fundamental issue plaguing CDV, since HDP conjugation prevents the accumulation of the compound in renal tubular epithelial cells through organic anion transporter 1 (OAT1) and CDV is released at low levels in the bloodstream.

(Note 9) Viral hemorrhagic cystitis (vHC): Among viral infections that frequently occur following hematopoietic stem cell transplantation, hemorrhagic cystitis caused by the BK virus or the adenovirus accompanies particularly severe symptoms, including frequent urination, abdominal pain and pain experienced during urination. This type of hemorrhagic cystitis is particularly likely to occur in transplantation between unrelated donors and in umbilical cord blood transplantations, which are relatively common in Japan. Its extreme refractory nature is further complicated by the length of time required for reconstruction of the immune system, which hinders treatment in many cases. In severe cases, it can cause disseminated infection and become fatal. There have also been reports of fatal kidney failure cases caused by these viral infections. Drugs currently used in treatment, including cidofovir (CDV), are either unapproved or off-label.

[Arbitration proceedings against the Medicines Company]

The Company initiated an arbitration against The Medicines Company (head office: New Jersey, U.S., "MDCO") on October 11, 2017 under the rules of the International Chamber of Commerce, seeking damages of 82 million US dollars (approximately 9 million yen) arising from MDCO's repudiation of the license agreement entered between the Company and MDCO for exclusive rights to SyB P-1501 (IONSYS in the U.S.). In its Request for Arbitration, the Company claimed that MDCO failed to provide the Company with adequate assurance of performance of its contractual obligations as stipulated in the license agreement by withdrawing IONSYS from markets in the U.S. and Europe and ceasing related marketing activities, and that such failure by MDCO is a material breach of the license agreement. The license agreement was terminated on November 30, 2017, as MDCO failed to remedy its breach of contract within the stipulated time, and the Company subsequently terminated the development of SyB P-1501 on February 9, 2018. Arbitration proceedings against MDCO are still ongoing. Note that on January 6, 2020, Novartis AG (head office: Switzerland) announced that it had completed the acquisition of MDCO. The Company expects to receive an arbitration award in the first half of FY 2020.

(ii) Business outside Japan

SyB L-0501 is also marketed in South Korea, Taiwan, and Singapore, and product sales of SyB L-0501 in these countries were in line with the Company's forecasts.

(iii) Licensing of new drug candidates

The Company plans to focus on planning and promoting the development of the antiviral drug brincidofovir in-licensed in September 2019. At the same time, we will continue working on our existing initiatives of reviewing multiple licensing projects at all times and searching and evaluating new drug candidates for potential in-licensing. Through these efforts, we aim to create long-term business value as a profitable biopharmaceutical company with growth potential.

(iv) Business results

As a result of the above, the total net sales is 551,369 thousand yen for the first three months of the FY 2020, primarily reflecting product sales of TREAKISYM®, and overall net sales fell 65.8% year on year.

Selling, general and administrative expenses totaled 1,089,611 thousand yen (-9.6% year on year), including research and development ("R&D") expenses of 438,113 thousand yen (-7.1% year on year) primarily due to expenses associated with clinical trials for the intravenous formulation of TREAKISYM® and the intravenous and oral formulations of rigosertib, as well as other selling, general and administrative expenses of 651,497 thousand yen (-11.1% year on year), including upfront spending to establish an internal sales structure.

As a result, an operating loss of 961,910 thousand yen was recognized in the first three months of FY 2020 (versus an operating loss of 595,948 thousand yen in the same period of FY 2019). Due to non-operating expenses of 29,517 thousand yen, primarily comprising foreign exchange losses of 15,983 thousand yen and share issuance cost of 12,786 thousand yen, ordinary loss totaled 991,220 thousand yen (versus an ordinary loss of 616,009 thousand yen in the same period of FY 2019) and bottom-

line loss in the first three months of the FY 2020 totaled 992,170 thousand yen (versus a loss of 616,959 thousand yen in the same period of FY 2019).

Segment information has been omitted since the Company operates within a single segment, which includes the research and development, manufacturing, and marketing of pharmaceutical drugs and other related activities.

(2) Explanation of financial position

Total assets as of March 31, 2020 stood at 5,142,794 thousand yen, a decrease of 131,160 thousand yen from the previous fiscal year end. This was primarily due to decreases of 247,732 thousand yen in accounts receivable–trade, 178,975 thousand yen in consumption taxes receivable, and 34,705 thousand yen in cash and deposits offsetting increases of 146,099 thousand yen in merchandise and finished goods, 37,696 thousand yen in prepaid expenses, 28,569 thousand yen in software in progress, and 11,157 thousand yen in lease and guarantee deposits.

Total liabilities stood at 669,964 thousand yen, a decrease of 203,874 thousand yen from the previous fiscal year end, owing mainly to decreases of 98,281 thousand yen in accounts payable–trade, 61,961 thousand yen in accounts payable–other, and 46,441 thousand yen in income taxes payable.

Under net assets, decreases of 28,909 thousand yen in share acquisition rights and 992,170 thousand yen in retained earnings due to the recording of a bottom-line loss were offset by increases of 547,490 thousand yen in capital surplus and 545,326 thousand yen in share capital. As a result, total net assets increased by 72,713 thousand yen from the previous fiscal year end to 4,472,829 thousand yen.

The equity ratio consequently rose 3.8 percentage points from the previous fiscal year end to 75.5%.

(3) Explanation of earnings forecasts and other forward-looking information

No revision was made to the earnings forecasts for FY 2020 as of the date of this document.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly balance sheet

(Unit: thousands of yen)

	FY 2019 (as of December 31, 2019)	Q1 FY 2020 (as of March 31, 2020)
Assets		
Current assets		
Cash and deposits	3,910,830	3,876,124
Accounts receivable–trade	549,275	301,543
Merchandise and finished goods	—	146,099
Prepaid expenses	94,002	131,698
Advances paid	41,791	40,404
Consumption taxes receivable	275,324	96,349
Other	16,267	123,258
Total current assets	4,887,491	4,715,477
Non-current assets		
Property, plant and equipment		
Buildings, net	34,734	33,887
Tools, furniture and fixtures, net	19,242	19,904
Construction in progress	21,513	21,513
Total property, plant and equipment	75,491	75,305
Intangible assets		
Software	94,974	96,285
Software in progress	145,551	174,120
Total intangible assets	240,525	270,406
Investments and other assets		
Shares of subsidiaries	0	0
Leasehold and guarantee deposits	70,446	81,603
Total investments and other assets	70,446	81,604
Total non-current assets	386,463	427,316
Total assets	5,273,955	5,142,794
Liabilities		
Current liabilities		
Accounts payable–trade	120,913	22,631
Accounts payable–other	639,482	577,521
Income taxes payable	87,756	41,315
Other	24,066	26,742
Total current liabilities	872,219	668,212
Non-current liabilities		
Provision for retirement benefits	1,619	1,752
Total non-current liabilities	1,619	1,752
Total liabilities	873,838	669,964

(Unit: thousands of yen)

	FY 2019 (as of December 31, 2019)	Q1 FY 2020 (as of March 31, 2020)
Net assets		
Shareholders' equity		
Share capital	14,870,639	15,415,965
Capital surplus	14,843,137	15,390,628
Retained earnings	(25,919,496)	(26,911,667)
Treasury shares	(15,077)	(14,099)
Total shareholders' equity	3,779,202	3,880,826
Share acquisition rights	620,913	592,003
Total net assets	4,400,116	4,472,829
Total liabilities and net assets	5,273,955	5,142,794

(2) Quarterly statement of income
(For the first three months of FY 2020)

(Unit: thousands of yen)

	Q1 FY 2019 (from January 1, 2019 to March 31, 2019)	Q1 FY 2020 (from January 1, 2020 to March 31, 2020)
Net sales	1,611,458	551,369
Cost of sales	1,002,568	423,669
Gross profit	608,890	127,700
Selling, general and administrative expenses	1,204,838	1,089,611
Operating profit (loss)	(595,948)	(961,910)
Non-operating income		
Interest income	67	87
Interest on tax refund	76	120
Total non-operating income	144	207
Non-operating expenses		
Commission expenses	2,640	—
Share issuance costs	757	12,786
Foreign exchange losses	16,807	15,983
Other	—	747
Total non-operating expenses	20,205	29,517
Ordinary profit (loss)	(616,009)	(991,220)
Profit (loss) before income taxes	(616,009)	(991,220)
Income taxes–current	950	950
Total income taxes	950	950
Profit (loss)	(616,959)	(992,170)

(3) Notes to quarterly financial statements

(Notes to going concern assumptions)

None to be reported.

(In case of significant changes to shareholders' equity)

In the first three months of FY 2020, the Company issued new shares due to the exercise of some of share acquisition rights pertaining to the 33rd, 36th, 37th, 38th, 47th and 50th warrants. As a result, share capital and capital surplus each increased by 545,326 thousand yen. The total value of treasury shares increased 2,490 thousand yen as a result of a share repurchase.

Further, the company disposed of treasury shares due to the exercise of some of share acquisition rights issued in the 33rd, 36th, and 38th warrants. As a result, the total value of treasury shares fell 3,259 thousand yen and other capital surplus increased 2,176 thousand yen.

The disposal of treasury shares in response to the request to sell shares by shareholders of less-than-one unit of shares led to declines of 452 thousand yen in the total value of treasury shares and 12 thousand yen in other capital surplus.

As a result, as of March 31, 2020 share capital was 15,415,965 thousand yen, capital surplus 15,390,628 thousand yen, and the total value of treasury shares 14,099 thousand yen.

(Significant subsequent events)
1. Issuance of the 52nd warrant (stock options)

On April 24, 2020, the Company issued and granted share acquisition rights in the form of stock options to 4 directors as indicated below. This issuance of share acquisition rights was based on a resolution by the Board of Directors on March 26, 2020.

Number of share acquisition rights	4,600 units
Class and number of shares to be issued upon the exercise of share acquisition rights	115,000 shares of common stock
Issue price of share acquisition rights and total issue amount	Issue price: 8,100 yen Total issue amount: 37,260,000 yen
Amount to be paid in for share acquisition rights	Amount to be paid in per share: 324 yen Individuals who receive share acquisition rights shall offset the amount to be paid in for the relevant share acquisition rights against cash compensation equivalent to the amount.
Exercise price of share acquisition rights	Exercise price per share: 1 yen
Exercise period of share acquisition rights	From March 27, 2023 to March 26, 2030
Conditions for the exercise of share acquisition rights	(1) Individuals to whom these share acquisition rights are granted must hold a position as a director or employee with the Company or with an affiliate to exercise these rights. However, this will not apply to directors at the Company or its affiliates who have left their positions due to expiry of their terms of offices, employees at the Company or its affiliates who have retired as a result of reaching retirement age or directors or employees at the Company or its affiliates who have been deemed to have left their positions or retired amicably by the Board of Directors. (2) Other conditions will be as established in the Share Acquisition Rights Allocation Agreement concluded between the Company and the directors.
Increase in share capital in case of the issuance of shares through the exercise of share acquisition rights	Increases in share capital related to the issuance of shares through the exercise of share acquisition rights shall be equal to one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. Any fraction less than one yen arising therefrom shall be rounded up to the nearest one yen.
Matters regarding transfer of share acquisition rights	Transfers will require approval from the Board of Directors.

2. Issuance of the 53rd warrant (stock options)

On April 24, 2020, the Company issued and granted share acquisition rights in the form of stock options to 119 employees as indicated below. This issuance of share acquisition rights was based on a resolution by the Board of Directors on March 26, 2020.

Number of share acquisition rights	15,000 units
Class and number of shares to be issued upon the exercise of share acquisition rights	375,000 shares of common stock
Issue price of share acquisition rights and total issue amount	Issue price: 8,100 yen Total issue amount: 121,500,000 yen
Amount to be paid in for share acquisition rights	Amount to be paid in per share: 324 yen Individuals who receive share acquisition rights shall offset the amount to be paid in for the relevant share acquisition rights against cash compensation equivalent to the amount.
Exercise price of share acquisition rights	Exercise price per share: 1 yen
Exercise period of share acquisition rights	From March 27, 2023 to March 26, 2030
Conditions for the exercise of share acquisition rights	(1) Individuals to whom these share acquisition rights are granted must hold a position as a director or employee with the Company or with an affiliate to exercise these rights. However, this will not apply to directors at the Company or its affiliates who have left their positions due to expiry of their terms of offices, employees at the Company or its affiliates who have retired as a result of reaching retirement age or directors or employees at the Company or its affiliates who have been deemed to have left their positions or retired amicably by the Board of Directors. (2) Other conditions will be as established in the Share Acquisition Rights Allocation Agreement concluded between the Company and the employees.
Increase in share capital in case of the issuance of shares through the exercise of share acquisition rights	Increases in share capital related to the issue of shares through the exercise of share acquisition rights shall be equal to one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. Any fraction less than one yen arising therefrom shall be rounded up to the nearest one yen.
Matters regarding transfer of share acquisition rights	Transfers will require approval from the Board of Directors.